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MART

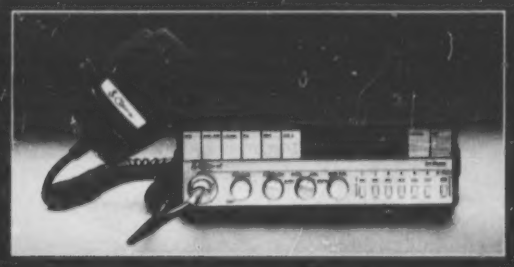
BUSINESS IDEAS FOR TODAY'S RETAILERS AND DISTRIBUTORS

GORDON PUBLICATIONS, INC.

SEPTEMBER 1987

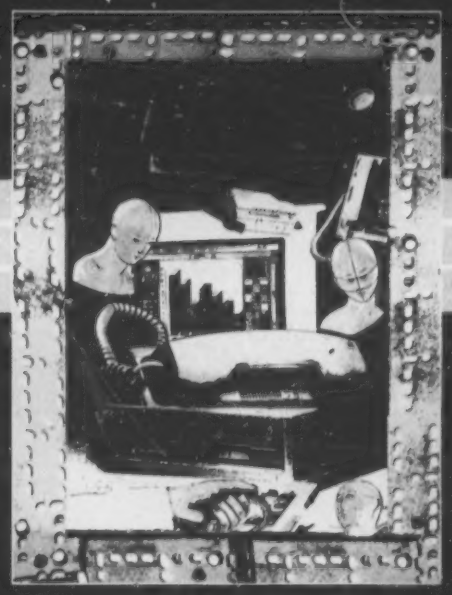
APPLIANCES

White Consolidated's marketing mastermind reveals his plan of attack.



HOME ELECTRONICS

Hey, Good Buddy, if you thought CB was over-and-out, think again.



SPECIAL SECTION

An exclusive guide to the growing home office industry.

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HEAVYWEIGHT STRATEGIES FOR TODAY'S BUYER

MART
Business Ideas for Today's Retailers and Distributors

COVER STORY

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Heavyweight strategies for today's buyer

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HOME ELECTRONICS

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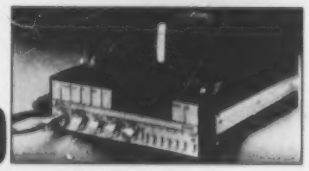

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BPA
ABP

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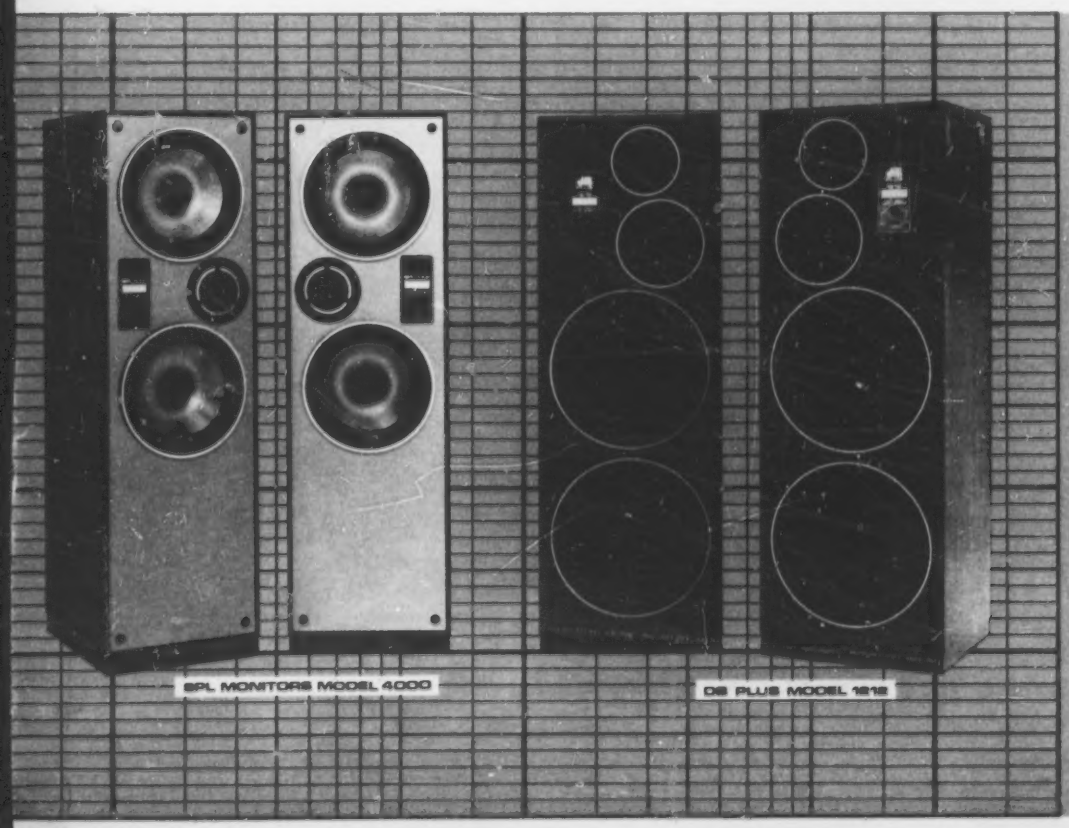

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Dealers get new handle on CB radio

If you thought the CB market was over-and-out, then you haven't been paying attention to the latest numbers.

Well, Good Buddy, it's time to once again put the pedal to the metal and give your customers a Great Big 10-4. You can't quite call it a convoy — at least not yet — but dealers are lining up across the country to cash in on one of the great lost fads of the '70s. We know, it sounds incredible — but it's true. CBs are back.

"I really didn't notice the resurgence myself until late last summer," explains Mike Hirsch, autosound buyer for Columbus, Ohio-based Sun TV. "We'd always carried CB as a service to our customers, but we never really took it seriously. I decided to go out on a limb, and expand our offering of lines and models substantially. It's paid off."

John Chass, a spokesman for Kansas City-based Midland, says the renewed consumer interest in CBs was detected by CB specialists as early as 1980. For the past four years, industrywide sales have been steadily increasing at a rate of 9-16 percent per year. In 1986, the industry moved 1.6 million units, according to Chass, who sees no problem topping the 2 million mark by year-end.

"I think one fact that can't be overemphasized is that the industry moved more mobile CB units last year than it did radar units," Chass says. "Those figures should give every retailer something to think about."

Currently, the CB market is divided up between five key players — Cobra, Midland, Uniden, GE and Radio Shack, according to John Ehrisman, marketing vice president at Cobra/Dynascan. But the largest CB manufacturer is Kansas City-based Maxon Systems. No other entity produces more CBs. In fact, many of the top suppliers source a substantial portion of their inventories from Maxon, according to Cobra's product marketing manager Mark Guttu.

Industry insiders trace much of CBs' rekindled popularity to it's new identity as an emergency communications device. CBs have become an insurance sale, Midland's Chass says.

"It's really opened up an entirely new market," observes Jim Foley, a manager at Holyoke, Massachusetts-based Paysaver, a consumer electronics superstore. "We've seen sales increasing steadily for the past few years, and I'd say the primary motivation for the purchase here is to protect against an emergency situation."

Nationwide, Midland's Chass estimates that nearly 36 percent of all CB sales are emergency motivated.

Predictably, new customers have emerged as a result of such worst-case-scenario hype. Whereas females constituted only 2 percent of the CB buying public during the days of CB-mania in the early 70s, today, nearly 21 percent are female, Chass notes.

Of course, not everyone running out for a CB has disaster on his or her mind. According to Cobra's Ehrisman, there's also a segment of the market that's interested in high-end CBs — truckers and traveling salespeople, for example.

GE's personal entertainment marketing manager Al Arris' says, "Besides the emergency factor, you can't overlook the fact that car and truck sales have been very strong the past few years, and gas prices have been relatively low. That combination of factors has had a lot to do with what I'd call the new 'boomlet' for CB."

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% OF CB RADIO SALES BY RETAIL CHANNEL

TV/appliance	3%
Auto parts stores	3%
Department stores	3%
Mail order houses	4%
Discount stores	8%
Catalog showrooms	9%
CB specialists	14%
Radio Shack	28%
Other channels	30%

Source: Midland
(Editor's Note: Numbers do not total 100% due to rounding.)

In 1986, market research conducted by Midland revealed that almost half of all CB buyers are college grads, and nearly 44 percent have household incomes above $30,000. Moreover, Midland found that CB appeals to virtually all age groups. The product is most popular among the 35 to 44 crowd, which accounted for 28 percent of last year's sales.

Beyond this segment, 1986 sales were divided among the following age groups: over 55 (25 percent), 25 to 34 (20 percent), 45 to 55 (19 percent), 24 and younger (11 percent).

CB radios priced in the $50 to $75 range are the hot sellers, Midland found, representing 34 percent of the units sold last year. The next most popular price was $50 and under, claiming 24.5 percent of sales. CBs selling for $100 or more accounted for 23 percent, while those between $75 and $99 grabbed an 18 percent share of the market.

If you do business in the eastern North Central or South Atlantic states, you stand a better chance of selling CB. Combined, those two regions brought in 36 percent of 1986 CB sales, according to Midland. Next were the Pacific states with 14 percent and the Mid Atlantic region with 12 percent.

So far, most TV/appliance dealers apparently haven't woken up to the resurgence in CB, or they're simply hanging back. According to Midland, this retail channel brought in only 3 percent of all sales in 1986 — a last place position shared by auto parts retailers and department stores. The real action was at Radio Shack, which raked in 28 percent of sales, and CB Specialists, who accounted for 14 percent of sales.

Says GE's CB product manager Jerry Zaborsky, "So far, we haven't penetrated much of the TV/appliance market with our product, but I think that could change. I think if TV/appliance retailers become aware of the fact that there's a product out there with profit margins of 35-40 percent that many other retailers haven't picked up on, you'll see more of them in the market."

One reason TV/appliance dealers may be hanging back is the bitter memory of the mid-70s, when the airwaves became jammed with CB signals and industry unit sales plummeted from a high of 7.5 million one year to 900,000 the next. "We were stuck with 100,000 units ourselves", recalls John Heenan, manager of marketing services for Uniden. "At that time manufacturers tried to solve the problem by going from 20 to 40 channels, but the change came too late.

"But I don't see that situation happening again," Heenen continues. "People are buying CBs for different reasons now, and a lot of them aren't even going to be on the airwaves unless there in an emergency. So the potential market has expanded dramatically. Conceivably, there can be as many potential CB sales out there right now as there are cars, trucks, and other vehicles." Agrees an equally optimistic Chass, "I don't see why this can't be a $7-12 million market within the next five years." □

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OPEN LINE

Promo TADs by the container

Planned Technologies, the firm known for shipping containers of promotional telephones from the Orient directly to American retailers, has added answering machines to its lineup of Lonestar brand products.

The Hicksville, New York-based company's first TAD — the model 1100 — carries a list price of $59.95, but can be sold profitably

for as low as $39.95, according to company officials.

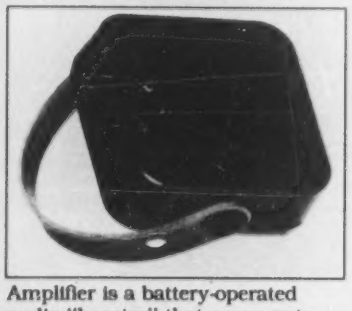
The compact answerer, which began shipping this month, records outgoing messages on a voice chip, and uses a standard cassette for incoming messages. Other features include voice activation, call monitoring and battery back-up.

"The $59.95 suggested retail price positions the Lonestar 1100 as an attractive alternative for consumers who want an easy-to-use, reliable TAD without the high price tag," says Larry Richenstein, president of Planned Technologies.

A quick sale booster

How many times have you received a faint long distance call and wished you could "turn it up?"

Carter Craft, the Rockford, Illinois accessories maker, has come up with an inexpensive device that helps overcome such problems. The Portable Telephone



Amplifier is a battery-operated audio "booster" that snaps onto the handset of most phones.

The unit features an adjustable volume control which makes it ideal for noisy locations as well.

But best of all, the Telephone Amp is an impulse buy at $15.95 suggest retail. □

Conair maintains number two spot

If we asked you who had the leading share of market in corded telephones, you'd say AT&T, and you'd be right. But if we asked you for the number two player, who would you pick? ITT? GTE? Panasonic? Nope — it's Conair.

Incredible as it may seem, the company best known for bringing the pistol grip hair dryer to the world-at-large claimed 11.9 percent of the corded phone market for first quarter '87. An ongoing market study by Industrial Marketing Research, which tracks sales to consumers across the country, places Conair directly behind AT&T, which carried 24.7 percent of sales for the quarter. Trailing was Sears, with 7.7 percent, and GTE, with 7.2 percent. These stats mark the seventh consecutive quarter that the industry-wide service has ranked Conair number two.

According to senior vice president Barry Haber, various factors came together to give the firm its current position, but first and foremost is an immense brand recognition. The Stamford, Connecticut-based company has spent upwards of $150 million promoting the Conair name through its various product lines, and — as you might expect — its franchise is particularly strong with women. That's a big asset, Haber says, when you consider that nearly 70 percent of telephone purchases are either made by a woman or with a woman present.

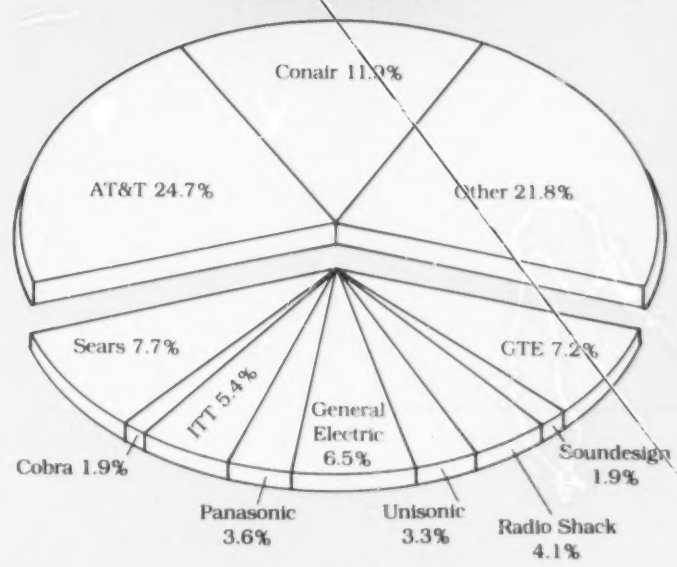
Conair launched its phone business in October of '83 with a line of standard phones, but the acceptance of the promotionally-priced High Energy line that debuted in '85 also fueled growth. High Energy, characterized by hot, bright colors, was successfully introduced with hair dryers, and later brought to phones and clock radios.

"High Energy, based on the visual appearance and the amount of product it moved, drew a great deal of attention to Conair's electronics business," says Haber. "It opened the door to retailers who hadn't done business with us before." As a result, Conair has been also been successful placing its latest Prima line of more feature-laden phones.

Aggressive marketing also played a part, with regular ads placed in *People*, which has been found to be "the most efficient way by far to reach our target audience," Haber says. Conair has also had success with TV game shows as an advertising medium.

According to Haber, Conair's immediate plans call for new product in both the promotional and Prima lines, as well as an expansion of its TAD offerings. □

SALES OF MAJOR BRAND CORDED TELEPHONES: FIRST QUARTER 1987



Source: Industrial Marketing Research/Conair.

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☐ (14) Distributor
☐ (24) Computer Reseller
☐ (99) Other (specify)

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☐ (09) Modems
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☐ (11) Dictation Equipment
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Home Office:

The next boom in electronics?

One-fifth of American workers are now said to work at home, and they'll be leading dealers into a market that's about to burst wide open.

by Bob Ankosko

Manufacturers are developing new products and tailoring old ones to meet the needs and budget of today's home worker.

Consider for a moment the population of New York City and its surrounding boroughs. Now imagine a populace three times that size. In case you don't have Census statistics at your fingertips, that's 21 million people. Throw in another couple of million, and you've got a group that's equal in size to the number of potential customers for home office equipment.

The latest market research findings confirm that more than one-fifth of American workers aged 18 or older conduct business from their homes.

Who are these homeworkers?

They are as diverse a group as you can imagine. Doctors. Lawyers. Dentists. Accountants. Insurance adjusters. Students. Authors. Salesmen. They are people who bring work home from their regular jobs on weeknights and weekends. Some work at home full-time, but most do so part-time.

Despite varied backgrounds, people who work at home have at least one thing in common: The need for tools to get the job done. The bare essentials of any office — be it a separate room or a corner of the kitchen — include a phone, a desk, a file cabinet and a writing implement such as a typewriter, word processor or computer.

And depending on how many hours per week are spent in the home office, the need may arise for a copier, facsimile device, answering machine, sophisticated phone or any number of add-on items.

In a little more than a year, the convergence of several factors have brought the home office market into sharp focus.

First, more Americans enjoy a flexible work style that allows them to conduct business at home. According to one estimate, 350 U.S. companies now have telecommuting programs in place. In addition, home-based businesses are on the rise.

Products designed for Mr. and Mrs. Homeworker also are playing an important role in the awakening of the home office market. Recognizing that millions of Americans regularly conduct business at home, manufacturers are developing new products and tailoring old ones to meet the needs and budget of today's homeworker. Among the pioneers are Canon, Sharp and Royal to name a few.

Canon, for example, introduced "personal" copiers as a means of expanding the market for full-size, commercial copiers a few years back, recalls Ted Morikawa, manager of the firm's copier division. Then, one year ago, the company took the next logical step in introducing a line of copiers for the home.

"In 1985 we did a customer survey and found that the ratio between 'business' and 'personal' use was 90 to 10," says Morikawa in explaining the move. "By the end of the year it had shifted to 81 to 19 percent."

Further evidence of products that have been crafted for the work-at-home customer can be found in the new generation of integrated fax machines, which function as a phone, copier and fax device in one box. Panasonic even adds an answering machine to the package.

Declining price is another major catalyst fueling the market. IBM-compatible PCs are now widely available in the $700 to $1,500 range from the likes of Amstrad, Blue Chip, Vendex and others. Electronic typewriters can be had for $200, and full-size document copiers that were thousands of dollars just a few years ago are available for $500.

Prices of facsimile products are tumbling, too. Faxphones from traditional phone suppliers retail for under $1,000, and low-cost, dedicated fax machines are being offered by a range of vendors. Even commercial fax manufacturers like Murata and Fujitsu Imaging Systems are targeting the home office with machines that list for under $2,000.

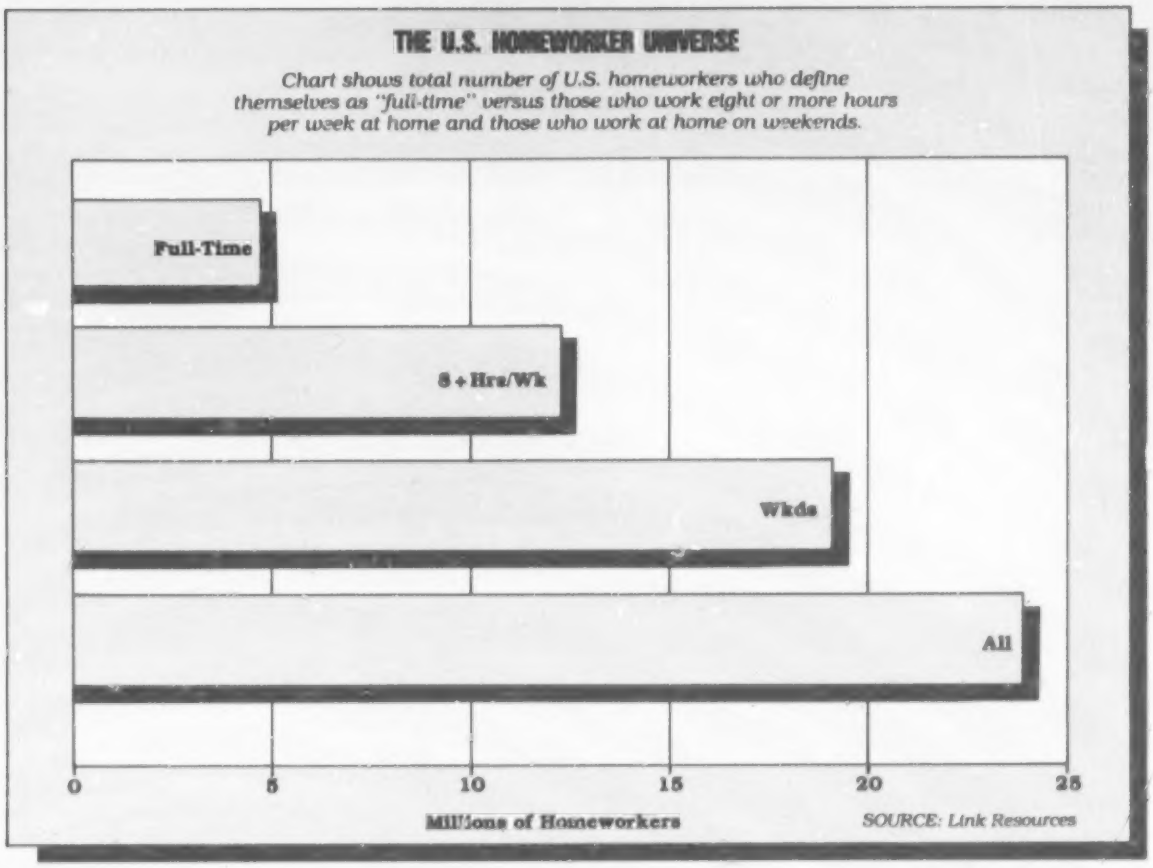
All of this activity has fueled a wave of publicity on the work-at-home "phenomenon." Companies like those mentioned above advertise home office products and the news media reports on the trend. This scenario has actually broadened the market, in a sense, because more people who do job-related work at home now identify themselves as "corporate homeworkers."

This is one reason why the latest National Work-at-Home Survey conducted by New York-based Link Resources' yielded a staggering 10 million more corporate workers above the findings of its 1986 landmark study. Link now estimates the total U.S. homeworker universe to be 23.3 million people, compared to last year's "conservative count" of between 13 million and 14 million.

Expressed another way, the new survey puts the number of domestic homeworker households at 16 million, by estimating that each household has 1.46 homeworkers on average. (A homeworker household is defined by the research concern as having one or more persons aged 18 or older who work at home.)

Tom Miller, director of Link's Electronic Services Unlimited division, says corporate homeworkers were severely understated in last year's survey. When Link asked 1986 survey respondents if they do "income-producing work at home," he said, many people failed to equate that with doing job-related tasks at home.

To get a better reading on the market, Link revised its survey technique and added a second, key ques-



tion to this year's survey: "Do you do any *job-related* work at home?"

"When you shift the definition, you start picking up a lot more corporate workers," Miller explains. "This year's [revised] methodology attracted more of them, but it also indicates a growing awareness among people identifying themselves as corporate homeworkers."

Beyond sheer numbers, Link has isolated some interesting traits of today's work-at-home population, including the existence of a hard-core element. The bottom line is that a growing number of people are spending more hours working at home.

"People are much more willing to commit their time and energy to working at home now," Miller says. "The data really shows that there is a hard core of commitment to the home office among a growing number of people. This is not a wishy-washy trend."

As illustrated in the "Homeworker Universe" chart, 12.1 million homeworkers — about 52 percent of the total — report spending at least eight hours a week working at home. "Anybody spending eight hours or more a week is serious and needs tools," Miller observes. A vast majority of homeworkers (80 percent) also make a habit of working on weekends.

Link also found that, among the nation's 23.3 million homeworkers, 20.6 million of them do work that's related to their primary job. That's 90 percent of all homeworkers or, to express it another way, 19.3 percent of the nation's workforce aged over 18.

The "Corporate vs. Self-Employed" chart breaks it down further, illustrating that 54.8 percent of the homeworker universe consists of corporate employees who do job-related tasks at home. Self-employed is the next largest group at 32 percent of the total. The remainder of the pie is divided between people who are running a side business (7.3 percent) and those whose second job is corporate in nature (5.9 percent).

Now let's take a look at the key home office product categories.

Personal Computers

The computer continues to be a major source of fuel for the work-at-home market. As noted in the "Personal Computer Growth" chart, computer use is accelerating among homeworkers. Compared to the typical U.S. household, Link found that homeworker households have 1.6 times as many personal computers.

Based on intent to buy among consumers, Link projects that 4 million homeworker households will have a computer by year-end — a number that is expected to reach 5.2 million in 1988.

The good news is that, aside from being more computer literate than the public at large, homeworkers are willing to spend nearly twice as much on PCs as average Americans. Homeworker households are shelling out $2,120 per PC on average and $810 on peripherals, for a total of $2,930, according to Link. This compares to $1,167 and $322, respectively, spent by the average U.S. household.

Buying intentions among the work-at-home population are up as well, Link reports, with 32.2 percent more households indicating the intention to buy in 1987. This group also plans on spending 12.4 percent more on computer peripherals than in the past.

A greater number of homeworkers also plan to amortize the cost of a PC according to Link. Nearly 60 percent stated such intentions this year, versus 47.2 percent in 1986. Miller believes this reflects increased buying among the self-employed sector.

"The computer clearly plays a role in peoples' motivation to work at home," Miller summarizes. "That finding is just clearer than ever in this year's data, and it's increasing. Computers also motivate people to leave corporate positions and become self-employed."

One last observation on computers: IBM compatibility is important to corporate homeworkers, making them prime candidates for the low-cost PC clones now flooding the market. *BusinessWeek* magazine estimates that some 12 million office workers use IBM or IBM-compatible machines at work.

Copiers

Desktop copiers will continue to be a hotbed in the home office as the machines become more affordable and easier to maintain. Approximately half-a-million homeworker households said they would buy a copier this year, Link reports. The purchase was termed "very likely" among 350,000 of that group.

One of the more interesting findings from Link's survey was that one-fourth of all homeworkers either plan to receive a copier from their employer this year, or are planning on their boss picking up the tab for one.

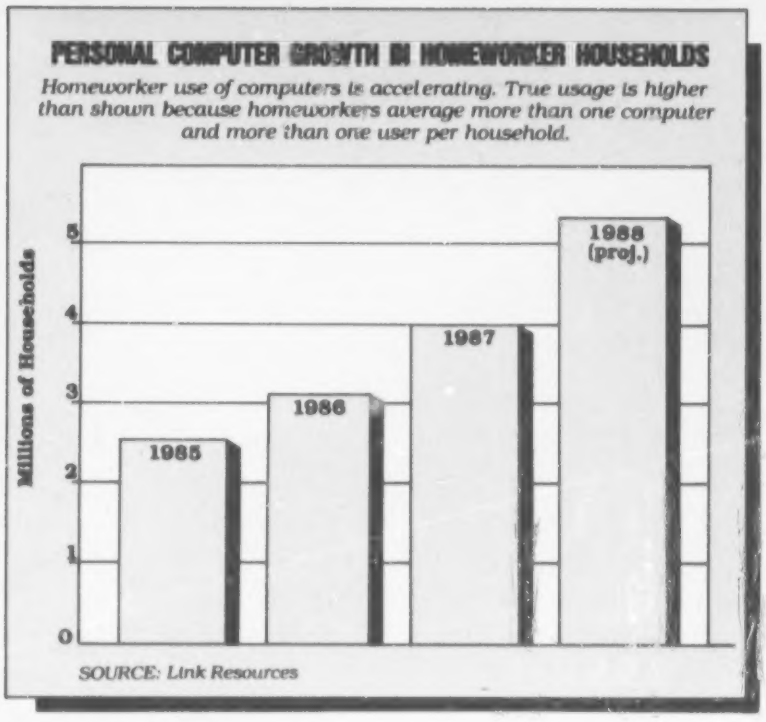
"This reflects the growing use of copiers at home by corporate homeworkers," Miller explains. "And that goes along with the huge jump in number of corporate workers that think of themselves as working at home. They're keen on getting work done at home for the corporation *and* getting reimbursed for it. The bottom line is, if you work at home you're putting in overtime."

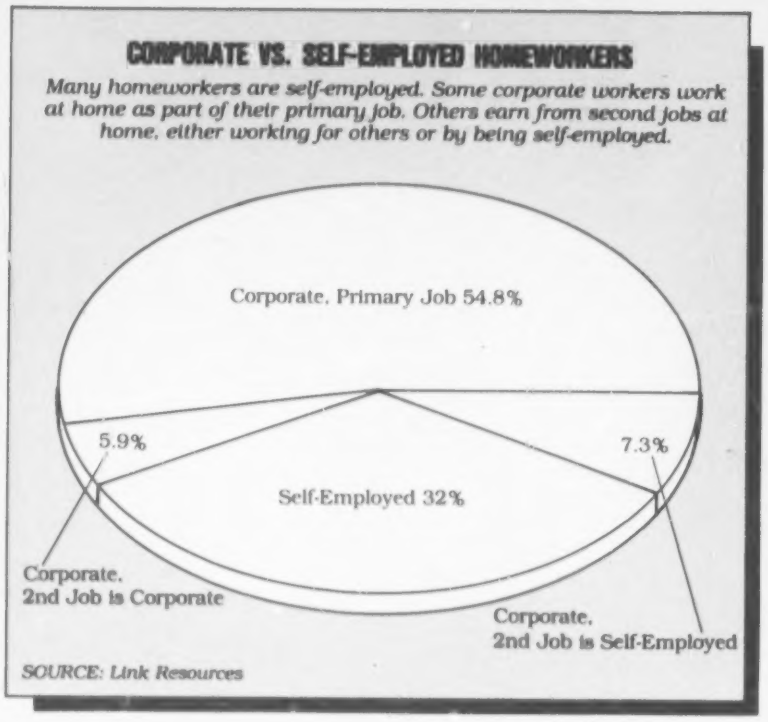
More than three-quarters (77.8 percent) of homeworkers also plan to finance copier purchases this year, up from 55.6 percent last year, according to Link. And among present copier owners, 54 percent purchased units that were priced under $900.

Shifts in copier distribution may

Continued on page A-20

Approximately half-a-million homeworker households said they would buy a copier this year, Link reports.




CORPORATE VS. SELF-EMPLOYED HOMEWORKERS
Many homeworkers are self-employed. Some corporate workers work at home as part of their primary job. Others earn from second jobs at home, either working for others or by being self-employed.
Corporate, Primary Job 54.8%
5.9%
7.3%
Self-Employed 32%
Corporate, 2nd Job is Corporate
Corporate, 2nd Job is Self-Employed
SOURCE: Link Resources

Continued from page A-5

also be in the offing. Link reports that the traditional office product dealer's lead in copier sales is being "strongly challenged" this year by discounters, mass merchants and computer stores. This finding is based on where people who plan to buy a copier say they would prefer to make the purchase.

Typewriters/Word Processors

Electric typewriters reside in some 9.2 million homeworker households, according to Link, compared with 2.5 million electronic typewriters. On a percentage basis, electronic machines are actually used more for doing work at home, Link says.

Not surprisingly, the growth rate for electronic typewriters is expected to surpass that of electric machines by a margin of two to one. Furthermore, Link reports that homeworkers are half again as likely to make a typewriter purchase as the average consumer. Also, more than half of those planning to buy an electronic typewriter indicated an interest in portable models that include a built-in spelling dictionary.

As for the total industry, Fred Feuerhake, marketing vice president for Smith Corona, thinks just over 3 million typewriters will be sold in 1987, with growth occuring among electronic models.

Word processors, meanwhile, are enjoying a nice growth curve these days as well. A recent study from Venture Development Corp. of Natick, Mass. predicts that sales of personal word processors will increase from about 100,000 units this year to 220,000 annually by 1991.

"Word processors are on a rapid growth curve, but they're starting from a very small base," observes Feuerhake. The Smith Corona executive sees the present base of 80,000 units reaching about 150,000 by mid-1988 (word processors priced under $1,000). Right now, Magnavox and Smith Corona are the dominant players in the word processing category.

As for the customer's choice between a computer and word processor, Tom Miller of Link notes, "General wisdom among marketers I've spoken to is that there is a reaction to the sophistication and expense of the computer. Word processing is far and away the primary function for typewriters and computers. And it's the number one keyboard skill in homeworker households."

Facsimile

As prices and unit size continue to shrink and performance improves, it's not too hard to imagine the fax becoming as commonplae as the telephone in the future. Especially for telecommuters, facsimile provides a means to save the $10 or more *per* letter for overnight courier services, and would pay for itself in a reasonable period of time.

"Substantially over a million people said that fax-like functions would be very helpful to their work at home," informs Link's Tom Miller. As the number of homeworker households with a fax device approaches 200,000 (including standalone units and fax-phones), Link sees a growth rate of at least 50 percent over the next year.

CAP International of Marshfield, Mass. further estimates that 40 percent of all fax machines will be sold at retail by 1990, and that half of those units could wind up in homes. Presently, only some 15 percent of fax units are sold at retail.

Telephones and Answering Machines

As you might expect, homeworker households have more phones than your typical American household — 2.84, to be exact, according to Link, which compares with 2.36. Homeworkers also utilize 1.21 phone lines on average per household, versus 1.1 lines for the average U.S. home. While 9 percent of households have more than one phone line, nearly 20 percent of homeworker households have additional phone lines.

Link found purchase intentions among homeworkers to be generally high for telephones, especially for more sophisticated models. In descending order of importance, the following features were singled out by homeworkers planning a purchase: memory dialers, built-in answering machine, cordless and multiple-lines.

Northwestern Bell's product manager Mark Gurvey summed up the fate of the telephone in the home office quite succinctly during a Summer Consumer Electronics Show workshop: "The feature phone will replace the basic phone as we know it today in the 1990s."

Surprising to some may be the finding that cellular phones are particularly hot among homeworkers. The annual growth rate for the category is pegged at 88.6 percent. The projection is based on the number of respondents who termed a cellular phone purchase "very likely."

The market is also very ripe for answering machines, a product whose penetration is approaching 20 percent. The category is poised for a 38.6 percent growth rate, according to Link, based on consumer purchasing intentions.

The Electronic Industries Association projects factory unit sales of 5.8 million TADs this year, industrywide, compared to 4.9 million last year. And in 1988, the EIA is looking at anticipated unit sales of 6.3 million.

Beyond Product

A growing number of retailers are now following the successful lead of New England-based Lechmere, which was among the first to pull products together under the home office banner. The list includes the likes of Macy's, Luskin's, Circuit City, American TV and Sears. Even K mart, one of the nation's top discount chains, is experimenting with the home office category in four of its Alabama locations.

Regardless of your vantage point, the home office represents a new and profitable business opportunity. Many believe that the rediscovered merchandising category is "the next boom in electronics" or "the market of the '90s."

One thing's for sure: Success requires commitment on the retail floor. Both suppliers and experienced retailers agree that the secret lies in displaying and demonstrating a full complement of products in a mock home office setting.

Scott Bauhofer, a buyer for Millbrae, California-based Home Express, sums the retail point of view up best: "If you're going to do it you need to make a dominant statement — you need a good brand mix. When a customer walks in your store, he better know that this is *the* place to buy home office goods."

And Elaine Lust, of American TV in Madison, Wisconsin reminds her retail colleagues not to forget about the profits to be reaped from accessories and office supplies. "They should be used in the sales pitch as part of the home office solution," she says.

Adds Greg Connelly, national sales director of Curtis Manufacturing Co., "Don't let customers go somewhere else to buy what you can sell them." □

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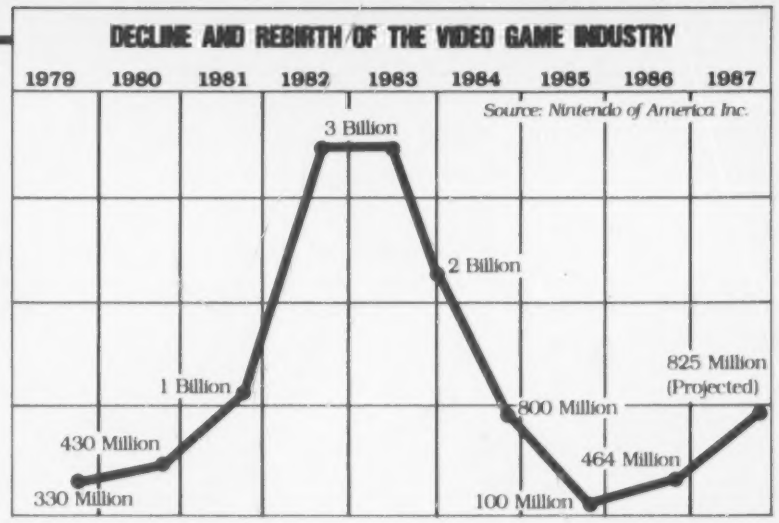
HOME ELECTRONICS

Video games look to 2nd stellar journey



Video games have come — and gone — a long way since Nolan Bushnell's classic game "Pong" hit the screen in 1979.

Fueled by the overwhelming mass acceptance of Atari's 2600 console and literally thousands of software titles, the public bought video games like there was no tomorrow, catapulting a fledgling industry into the stratosphere. The industry leaped from $330 million in 1979 to an amazing $3 billion by 1982.

Atari was in the stars. In 1982, the firm reported sales of $1.7 billion. And a multitude of software companies, led by Activision, churned out games at an astronomical rate. It seemed that the "kids" just couldn't get enough.

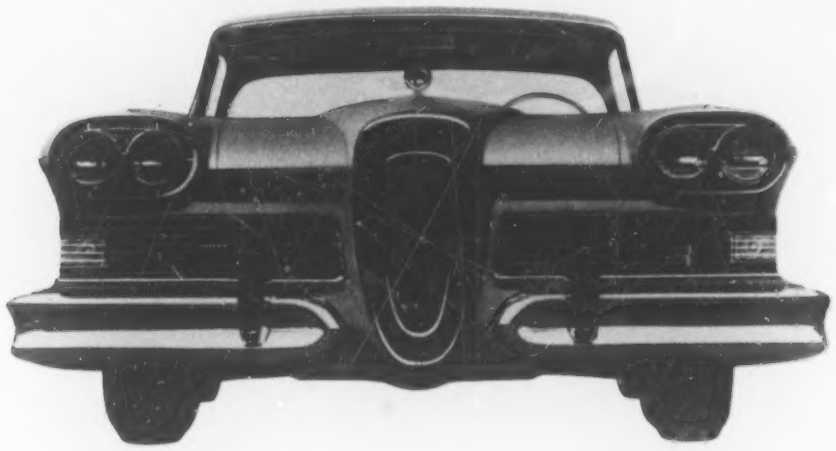
But by 1983, Pac-Man and friends were wearing thin. The execs worried: Perhaps games *were* just a fad. Business peaked and the tell-tale signs of a market crash set in — a flood of products were dumped and discounted faster than you could obliterate an alien starship.

And so it tumbled. Sales fell — like a lead joystick — from the mind-boggling $3 billion level to a low of $100 million in late 1985.

While the Rise and Fall of Video Games is a bleak story, the future may not be. As you can see from the above chart, by mid-last year sales of a "new generation" of games had already bounced back into the $400 million rang

In 1986, Nintendo, Sega, Atari, INTV and others sold 1.5 million game systems. Nintendo, alone, claims 1.1 million unit sales.

And the comeback continues. By the end of this year, Nintendo predicts that industry sales will reach $825 million. Now that's a comeback. □



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Merchandising computers: Are you missing the boat?

Ready for a quick computer marketing quiz? Most people purchase home computers for: a) entertainment; b) word processing; c) education; d) business; e) financial purposes.

The correct answer is "c" — education.

According to Learning Technologies, a Dallas-based software producer, education is just ahead of business and financial applications as the key reason why people buy computers for their homes.

Nearly 45 percent of home computer purchases during the first quarter were made for reasons of "personal" or "children's" education, according to the company. Children's education accounted for almost 30 percent of that total.

A close second to education are "business" and "financial" reasons, which represent about 40 percent combined. Of that total, business accounts for about 28 percent.

"Everything seems to be pointing in that direction," observes Ladd Roberts, marketing vice president for Learning Technologies. "People may buy one of the less expensive computers for entertainment, but they *justify* the purchase with education.□